

1 CHAIRPERSON JAMES: Mr. Harper.

2 MR. HARPER: Well, thank you Madam Chairman and  
3 Commission members. It is indeed an honor for us to have you  
4 here at Del Mar. We don't often get this opportunity to show you  
5 our facility, and we're delighted to be able to do that. I would  
6 also like to thank Doug of your staff for his briefing. Just  
7 sitting here listening to him it was amazing in just a few  
8 minutes he put the very good wide perspective and problems of  
9 this industry in a nutshell, and I'll tell you even if we don't  
10 say another word I think he's pretty well summed up the position  
11 of many of us in this business.

12 Del Mar is a little different than most other  
13 racetracks, and so I'll pretty much limit my remarks to Del Mar  
14 itself. Del Mar is an interesting sort of a track. It's not  
15 that old. It was built in 1937, but it was built by Bing Crosby  
16 and Pat O'Brien, being at a farm not too far from here where he  
17 raised horses and he wanted to be able to see them during the  
18 summer months. He walked over to the fairgrounds which is right  
19 next door and made a deal with the state to build a racetrack on  
20 the grounds. He did so using the WPA, and they built it out of  
21 adobe that was dug up right here in this riverbed. It had an  
22 interesting start. In order to get people down Bing and Pat  
23 O'Brien and a number of other actors and Hollywood folks went on  
24 radio and newspaper to get a lot of their friends down here.  
25 Jimmy Durante used to play the piano every Saturday in the Turf  
26 Club, and the board of directors was made up of people like  
27 Oliver Hardy and Randolph Scott, people like that. So it had an  
28 interesting beginning.

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1 It has an interesting present too. I think that this  
2 racetrack went through different ownerships or leases. It's  
3 actually owned by the State of California, and the Twenty-Second  
4 District Agricultural Association is our landlord.

5 The Del Mar Thoroughbred Club, of which I am the  
6 President and CEO, is the current operator of the race, the  
7 summer racing season. The Del Mar Thoroughbred Club is a not-  
8 for-profit, non-dividend paying organization. About 20-30 years  
9 ago, almost 30 years ago, a group of horse owners, breeders,  
10 people in this industry that had been successful in other lines  
11 of work got together and thought we have to do something for the  
12 Del Mar Racetrack. It was run down; it was a little country  
13 place down here. So they put together a contract with the State,  
14 a lease that simply said we'll make money, as much as we can, but  
15 we'll put it all back into the facility itself. We'll pay no  
16 dividends, nobody on our board takes any money out of this place;  
17 it all goes right back in. Once you saw -- as you drove  
18 in here if you looked across the street you saw about \$100  
19 million worth of improvements on the grounds since Bing and the  
20 boys showed up back in the mid '30's. We feel that it is an  
21 obligation that we have to racing to better it, and it worked.  
22 When our company took over this lease the average daily handle at  
23 Del Mar was about \$900,000. Last year it was over \$11 million.  
24 That's everyday bet on the races at Del Mar. We've come a long  
25 way in those years, and we're very proud of what we've done here.

26 We're also proud of the economic impact that we've  
27 had in the local community. Between our company and the horsemen  
28 and our catering staff we employ over 3500 people. We have a

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1 direct impact, fiscal impact on the local community and the State  
2 of California. We paid over \$250 million in license fee, and I  
3 think since we've had this lease, of course all of our profits  
4 have gone right back into the facility. Hopefully when you get a  
5 chance to tour it you'll see just exactly where they've gone.

6 Charitable giving is also part of Del Mar's credo.  
7 We also, of course, by law have the amount of money, percentage  
8 of the handle that must go to charitable organizations. We felt  
9 that because of our impact on this community we should go  
10 farther. We have, I think, over the years probably given close  
11 to \$5 million in charitable contributions since the start of our  
12 lease with the State. We feel that this community and the racing  
13 community should benefit from an operation like Del Mar's and  
14 has. I sit on the Board of the YMCA up here, the Boys and Girls  
15 Club, the Winners Foundation, which is a drug and alcohol  
16 treatment facility that goes on all the racetracks in Southern  
17 California. I also chair an advisory committee at the University  
18 of California at Davis which deals with equine research and hope  
19 for bettering the health of race horses and all horses. Senator  
20 Maddy also sits on that panel with me.

21 I think betting itself a percentage of the handle  
22 goes toward medical research. I think something like \$39 million  
23 to equine medical research to a percentage of the take out.  
24 Senator Maddy again was very responsible for that legislation.

25 We are a highly regulated industry, as those of us up  
26 here will be quick to tell you. Everything that we do is  
27 overseen by the California Horse Racing Board in this case, and  
28 our cases out here. We have audits, totalisator equipment, and

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1 I've gone into that in my written testimony, and I won't bore you  
2 with all of it, but there are audit trails for all betting  
3 through the machines. There are separate computers that have to  
4 agree with each other. We have the stewards that are involved  
5 from the State of California that oversee our races, patrol  
6 judges who watch the races. Even the horse itself is required to  
7 have certain timed work outs that must be recorded. We found  
8 that integrity is a very important part of our business. It is,  
9 I think, the basis of our success. The more information that we  
10 can give the public, the better our business will be, and we go  
11 out of our way to make sure that there are no secrets in this  
12 racing. We want everybody to see the horses. We want everybody  
13 to know what they've been doing in their work, everything else  
14 like this.

15 We have other social issues that we deal with at the  
16 racetrack, and that is, of course, the Racetrack Championship  
17 Program. We have the Winners Foundation, and I think there's the  
18 medical and dental things in the back stretch. It's a community.  
19 It's not just an industry. Many families are involved, and I  
20 think it's up to us to make sure that we are responsible in the  
21 society for all that.

22 I would thank you very much for listening to this  
23 brief testimony. I hope you will join us for a tour this  
24 afternoon we've put together. I think you'll find Del Mar very  
25 unique, very interesting. We're very proud of what we've  
26 accomplished here. We're proud of our responsibilities in the  
27 community, and I hope you'll take time to join us over there this  
28 afternoon.

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1 Thank you, Chairman.

2 CHAIRPERSON JAMES: Thank you, Mr. Harper.

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